

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Holly	County Oakland
Audit Date June 30, 2005	Opinion Date October 21, 2005	Date Accountant Report Submitted to State: November 30, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

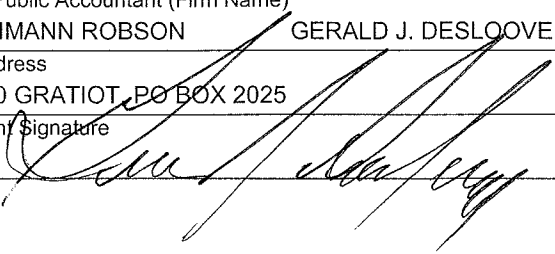
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON			
Gerald J. Deslover, CPA			
Street Address 5800 GRATIOT, PO BOX 2025		City SAGINAW	State MI
Accountant Signature 		Zip 48605	

Township of Holly

Holly, Michigan

Financial Statements

For the Year Ended
June 30, 2005

TOWNSHIP OF HOLLY

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet – Governmental Funds	10
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	11
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	12
Reconciliation of Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities	13
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual –	
General Fund	14-17
Fire & Emergency Fund	18
Park Fund	19
Building Department Fund	20
Library Fund	21
Statement of Fiduciary Net Assets – Agency Fund	22
Notes to the Financial Statements	23-33
Internal Control and Compliance	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	34



REHMANN ROBSON

Certified Public Accountants

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An Independent Member of Baker Tilly International

INDEPENDENT AUDITORS' REPORT

October 21, 2005

To the Township Board
Township of Holly
Holly, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the ***Township of Holly, Michigan***, as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the ***Township of Holly, Michigan's*** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the ***Township of Holly, Michigan***, as of June 30, 2005, and the respective changes in financial position, thereof and the respective budgetary comparisons for the major funds, for the year then ended in conformity with accounting principles general accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2005, on our consideration of the ***Township of Holly, Michigan's*** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on pages 3-7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

**TOWNSHIP OF HOLLY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

CONCEPTUAL INFORMATION ABOUT THE TOWNSHIP'S FINANCIAL STATEMENTS

The primary government is presented in two categories, governmental activities and fiduciary type activities. Governmental activities consolidate all general and other governmental funds which reflect the Township of Holly as a whole and include all general operating, special revenue (park, library and special assessment for fire/emergency) and capital project funds. The Township adopts an annual appropriated budget for its general and special revenue funds. Fiduciary Activities are limited to the Trust and Agency Fund which is used to account for assets held by the Township of Holly in a trustee capacity or as agent for individuals, organizations, other governments or funds.

Government – wide financial statements. *The government – wide financial statements* are designed to provide the reader with an overview of the Township's finances, in a manner which is similar to private – sector businesses.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with a difference between the two being reported as *net assets*.

The *statement of activities* provides information on how the net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change takes place regardless of the timing of the related cash flows.

The Township of Holly has adopted a \$5,000 threshold for capitalizing assets. Assets costing less than \$5,000 are expensed in the year they are purchased.

FINANCIAL HIGHLIGHTS

The Township of Holly's assets exceed its liabilities at the close of the most recent fiscal year by \$2,584,652 (net assets).

The Township's total net assets increased by \$358,120 during the 2004-2005 fiscal year.

At the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,798,324, an increase of \$286,605 from the beginning of the year fund balance.

For the fiscal year ended June 30, 2005, General Fund revenues exceed expenditures by \$224,938.

The following tables represent an analysis of the Township of Holly's Net Assets. Since the Township is now in the second year of its implementation of Governmental Accounting Standard Board Statement No. 34, comparative data is now included.

Township of Holly's Net Assets

Governmental Activities

	<u>2003-04</u>	<u>2004-05</u>
Current and other assets	\$1,654,703	\$1,827,547
Capital assets	<u>714,813</u>	<u>786,328</u>
Total assets	<u>2,369,516</u>	<u>2,613,875</u>
Accounts payable and other liabilities	<u>48,467</u>	<u>29,223</u>
Net assets:		
Invested in capital assets	714,813	786,328
Restricted for capital projects	-	71,983
Unrestricted	<u>1,606,236</u>	<u>1,726,341</u>
Total net assets	<u>\$2,321,049</u>	<u>\$2,584,652</u>

Township of Holly's Change in Net Assets

Governmental Activities

	<u>2003-04</u>	<u>2004-05</u>
Revenue:		
Primary Government:		
Property taxes	\$1,012,066	\$1,052,810
State shared revenue	267,673	258,647
Unrestricted investment earnings	11,403	22,331
Program Revenue:		
Charges for services	493,964	588,923
Operating grants and contributions	96,936	76,726
Capital grants and contributions	<u>20,000</u>	<u>34,454</u>
Total Revenue	<u>1,902,042</u>	<u>2,033,891</u>
Expenses:		
General government	481,716	456,631
Public safety	280,619	307,460
Public works	63,795	65,179
Community development	260,268	316,290
Recreation and culture	<u>509,945</u>	<u>530,211</u>
Total Expenses:	<u>1,596,343</u>	<u>1,675,771</u>
Change in net assets	305,699	358,120
Net assets, beginning of the year, as restated	<u>2,015,350</u>	<u>2,226,532</u>
Total net assets, end of the year	<u><u>\$2,321,049</u></u>	<u><u>\$2,584,652</u></u>

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The Township of Holly's tax base continues to increase as the Township's valuation and the construction of new single family homes continue to increase. The increase in new single family homes is considerable due to the approved 900 unit site plan for Silverman Company. It continues not to be necessary to levy the maximum allowable millage. There are continued threats of decreases in state revenue sharing payments to the Township of Holly that could have an impact on revenue and operations. To counter act the rapid decrease in revenue sharing, Holly Township has chosen to conduct a mid-decade census counting its approximate 10-15 percent increase in population since the year 2000 census, providing extra funding for the next 5 years in State Revenue Sharing. It should be noted that there is recent threat to extra revenue sharing to municipalities that are currently or planning on conducting a mid-decade census.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original and the final budgets were relatively minor. Once additional revenue and expenditure information was known, subsequent budget amendments for additional revenue and additional planned expenditures were added to the appropriate line items in the budget.

CAPITAL ASSETS

Due to the sale of the Township Hall, the Township of Holly will be spending on new capital assets and will prompt the Township to schedule several purchases for the next fiscal year. Through federal grants the Township of Holly has acquired new voting equipment for 5 precincts, the Library added a building addition and the Park added a Pole Barn to Sorenson Park. Existing capital assets continue to be maintained. The Township of Holly continues to have a capitalization threshold of \$5,000 or more. This means investment in assets of less than \$5,000 is expensed in the year they are acquired.

TOWNSHIP OF HOLLY'S CAPITAL ASSETS

(net of depreciation)

June 30, 2005

Land	\$397,336
Buildings	314,306
Machinery and equipment	55,665
Office Furniture and equipment	<u>19,021</u>
Total	<u>\$786,328</u>

Additional information on the Township's capital assets can be found in note III B on pages 29-30 of this report.

LONG-TERM DEBT

The Township of Holly does not have any long-term debt in the year ended June 30, 2005 but anticipates the possibility of a future long term debt for a new Township Hall.

THE TOWNSHIP OF HOLLY'S FINANCIAL FUTURE

The Township spends conservatively. Cost for health care, municipal insurance premiums, utilities, fire and emergency services, etc. continue to rise rapidly. Threats of closing the area State Police Post continue to be a threat to provided police services to Holly Township and could have a potential impact on future public safety needs and expenses. Residential growth in the Township has been strong and continues to provide additional revenue. As the Township continues to work towards maintaining its master plan and open space, the Township hopes for new business and industry in the northeast corner of the Township. Expanding our commercial and Industrial tax base needs to be a prime objective.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Township of Holly's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Holly Township Clerk, 102 Civic Drive, Holly, Michigan 48442.

BASIC FINANCIAL STATEMENTS

TOWNSHIP OF HOLLY
STATEMENT OF NET ASSETS

JUNE 30, 2005

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,652,816
Accounts receivable	14,732
Due from other governments	126,577
Prepaid items	33,422
Nondepreciable capital assets	397,336
Depreciable capital assets, net	<u>388,992</u>
Total assets	<u>2,613,875</u>
Liabilities	
Accounts payable	28,223
Unearned revenue	<u>1,000</u>
Total liabilities	<u>29,223</u>
Net Assets	
Invested in capital assets	786,328
Restricted for:	
Capital projects	71,983
Unrestricted	<u>1,726,341</u>
Total net assets	<u><u>\$ 2,584,652</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HOLLY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2005

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government					
Governmental activities:					
General government	\$ 456,631	\$ 64,951	\$ 4,903	\$ 27,640	\$ (359,137)
Public safety	307,460	-	-	-	(307,460)
Public works	65,179	-	-	-	(65,179)
Community development	316,290	405,980	29,580	-	119,270
Recreation and cultural	<u>530,211</u>	<u>117,992</u>	<u>42,243</u>	<u>6,814</u>	<u>(363,162)</u>
Total primary government	<u>\$ 1,675,771</u>	<u>\$ 588,923</u>	<u>\$ 76,726</u>	<u>\$ 34,454</u>	<u>(975,668)</u>
General revenues:					
Property taxes					1,052,810
State shared revenue					258,647
Unrestricted investment earnings					<u>22,331</u>
Total general revenues					<u>1,333,788</u>
Change in net assets					358,120
Net assets, beginning of year, as restated					<u>2,226,532</u>
Net assets, end of year					<u>\$ 2,584,652</u>

The accompanying notes are an integral part of these financial statements.

101
TOWNSHIP OF HOLLY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

ASSETS	General	Fire and Emergency	Park
Cash and cash equivalents	\$ 598,517	\$ 224,180	\$ 166,963
Accounts receivable	14,732	-	
Due from other governments	85,284	-	
Prepaid items	26,676	-	2,144
TOTAL ASSETS	<u>\$ 725,209</u>	<u>\$ 224,180</u>	<u>\$ 169,107</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	\$ 15,399	\$ -	\$ 3,576
Deferred revenue	1,000		
TOTAL LIABILITIES	<u>16,399</u>	<u>-</u>	<u>3,576</u>
FUND EQUITY			
Fund Balances			
Reserved for:			
Prepays	26,676	-	2,144
Capital projects	-	-	-
Unreserved - undesignated, reported in:			
General fund	682,134	-	-
Special revenue funds	-	224,180	163,387
TOTAL FUND BALANCES	<u>708,810</u>	<u>224,180</u>	<u>165,531</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 725,209</u>	<u>\$ 224,180</u>	<u>\$ 169,107</u>

The accompanying notes are an integral part of these financial statements.

Building Department	Library	Capital Projects Fund	Total
\$ 190,401	\$ 400,772	\$ 71,983	\$ 1,652,816
		-	14,732
	41,293	-	126,577
2,261	2,341	-	33,422
<hr/>			
\$ 192,662	\$ 444,406	\$ 71,983	\$ 1,827,547
<hr/>			

\$ 8,538	\$ 710	\$ -	\$ 28,223
			1,000
<hr/>			
8,538	710	-	29,223
<hr/>			

2,261	2,341	-	33,422
-	-	71,983	71,983
-	-	-	682,134
181,863	441,355	-	1,010,785
<hr/>			
184,124	443,696	71,983	1,798,324
<hr/>			
\$ 192,662	\$ 444,406	\$ 71,983	\$ 1,827,547
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TOWNSHIP OF HOLLY
RECONCILIATION OF GOVERNMENTAL FUND BALANCE
SHEET TO THE STATEMENT OF NET ASSETS

JUNE 30, 2005

Fund balances - total governmental funds	\$ 1,798,324
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Amounts reported for *governmental activities* in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds.

Add - capital assets	2,035,160
Deduct - accumulated depreciation	<u>(1,248,832)</u>

Net assets of governmental activities	<u><u>\$ 2,584,652</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HOLLY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	General	Fire and Emergency	Park
REVENUES			
Taxes	\$ 390,985	\$ 239,240	\$ 140,853
Licenses and permits	24,171	-	-
Intergovernmental	315,867	-	6,814
Charges for services	40,780	-	74,838
Interest	13,671	927	1,749
Fines	-	-	-
Other	4,903	-	723
TOTAL REVENUES	790,377	240,167	224,977
EXPENDITURES			
General government	451,771	-	-
Public safety	-	307,460	-
Public works	60,860	-	-
Community development	25,168	-	-
Recreation and cultural	-	-	221,225
Capital outlay	27,640	-	-
TOTAL EXPENDITURES	565,439	307,460	221,225
NET CHANGE IN FUND BALANCES	224,938	(67,293)	3,752
FUND BALANCES, BEGINNING OF YEAR, AS RESTATED	483,872	291,473	161,779
FUND BALANCES, END OF YEAR	\$ 708,810	\$ 224,180	\$ 165,531

The accompanying notes are an integral part of these financial statements.

Building Department	Library	Capital Projects Fund	Total
\$ -	\$ 281,732	\$ -	\$ 1,052,810
-	-	-	24,171
-	32,616	-	355,297
405,980	10,612	-	532,210
1,538	3,710	736	22,331
-	32,542	-	32,542
-	8,904	-	14,530
407,518	370,116	736	2,033,891
-	-	-	451,771
-	-	-	307,460
-	-	-	60,860
291,122	-	-	316,290
-	295,598	-	516,823
-	66,442	-	94,082
291,122	362,040	-	1,747,286
116,396	8,076	736	286,605
67,728	435,620	71,247	1,511,719
\$ 184,124	\$ 443,696	\$ 71,983	\$ 1,798,324

TOWNSHIP OF HOLLY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds	\$ 286,605
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	94,082
Deduct - depreciation expense	<u>(22,567)</u>

Change in net assets of governmental activities	<u><u>\$ 358,120</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HOLLY

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Taxes:				
Current property taxes	\$ 275,047	\$ 275,047	\$ 292,973	\$ 17,926
Penalties and interest	591	4,106	261	(3,845)
Mobile home fees	700	850	925	75
School collection	10,000	11,895	11,457	(438)
Administrative fee	82,028	82,028	85,369	3,341
Total taxes	368,366	373,926	390,985	17,059
Licenses and permits:				
Animal licenses	500	500	60	(440)
Cable franchise fees	19,500	22,600	24,111	1,511
Total licenses and permits	20,000	23,100	24,171	1,071
Intergovernmental revenues:				
Federal grants	-	-	27,640	27,640
Community development grant	20,995	23,660	29,580	5,920
State revenue sharing	251,741	251,741	258,647	6,906
Total intergovernmental revenue	272,736	275,401	315,867	40,466
Charges for services:				
Planning commission	10,000	16,455	19,449	2,994
Zoning fees	2,500	2,500	2,355	(145)
Mining fees	6,534	7,034	6,975	(59)
Rental income	12,000	12,000	12,001	1
Total charges for services	31,034	37,989	40,780	2,791
Interest	6,500	6,500	13,671	7,171
Other revenues:				
Printed materials	1,200	1,200	918	(282)
Other	1,000	3,950	3,985	35
Total other revenues	2,200	5,150	4,903	(247)
Total revenues	700,836	722,066	790,377	68,311

TOWNSHIP OF HOLLY

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCE (Continued)

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Total revenues (pg. 8)	\$ 700,836	\$ 722,066	\$ 790,377	\$ 68,311
Total expenditures (pg. 11)	<u>(625,836)</u>	<u>(646,991)</u>	<u>(565,439)</u>	<u>81,552</u>
Net change in fund balances	75,000	75,075	224,938	149,863
Fund balance, beginning of year, as restated	<u>483,872</u>	<u>483,872</u>	<u>483,872</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 558,872</u></u>	<u><u>\$ 558,947</u></u>	<u><u>\$ 708,810</u></u>	<u><u>\$ 149,863</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HOLLY
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Amended Budget	Actual	Over (Under) Budget
General Government:				
Township Board:				
Salaries	\$ 6,200	\$ 8,200	\$ 6,590	\$ (1,610)
Dues and subscriptions	500	500	-	(500)
Mileage	100	100	-	(100)
Total township board	6,800	8,800	6,590	(2,210)
Supervisor:				
Salary	23,700	23,700	23,700	-
Dues and subscriptions	400	400	80	(320)
Mileage	400	400	82	(318)
Total supervisor	24,500	24,500	23,862	(638)
Elections:				
Salaries	8,000	14,135	14,069	(66)
Supplies	8,000	10,065	3,370	(6,695)
Capital outlay	-	-	27,640	27,640
Total elections	16,000	24,200	45,079	20,879
Assessor:				
Contracted services	45,100	45,100	45,100	-
Miscellaneous	-	10,000	5,904	(4,096)
Total assessor	45,100	55,100	51,004	(4,096)
Clerk:				
Salary	42,850	42,850	42,850	-
Deputy clerk salary	23,500	23,500	23,500	-
Dues and subscriptions	1,200	1,200	1,270	70
Mileage	400	400	247	(153)
Total clerk	67,950	67,950	67,867	(83)
Board of review	800	800	643	(157)
Treasurer:				
Salary	42,850	42,850	42,850	-
Deputy treasurer salary	25,000	25,000	5,177	(19,823)
Dues and subscriptions	1,200	1,200	100	(1,100)
Mileage	400	400	41	(359)
Miscellaneous	400	400	-	(400)
Total treasurer	69,850	69,850	48,168	(21,682)

TOWNSHIP OF HOLLY
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Town Hall:				
Telephone	\$ 3,000	\$ 3,000	\$ 3,481	\$ 481
Utilities	6,000	6,000	5,364	(636)
Maintenance and repairs	48,000	23,000	9,635	(13,365)
Total town hall	57,000	32,000	18,480	(13,520)
General Services:				
Payroll taxes	13,200	13,200	11,874	(1,326)
Pension cost	14,000	14,000	14,362	362
Health/life insurance	38,000	38,000	42,926	4,926
Office expenditures	28,000	33,000	24,410	(8,590)
Accountant fees	5,900	5,900	7,100	1,200
Contracted services	1,500	1,500	670	(830)
Attorney	28,000	28,000	22,139	(5,861)
Computer maintenance	8,000	8,000	9,783	1,783
Pension administration	4,200	4,200	2,226	(1,974)
Ordinance codification	7,500	7,500	2,576	(4,924)
Dues and subscriptions	5,500	5,500	5,048	(452)
Legal notices	9,000	9,000	10,043	1,043
Insurance	7,500	13,500	5,279	(8,221)
Youth assistance	2,625	2,625	2,625	-
Miscellaneous	30,000	30,000	9,264	(20,736)
Total general services	202,925	213,925	170,325	(43,600)
Planning Commission:				
Salaries	6,000	8,950	4,440	(4,510)
Code enforcement	20,000	20,000	16,523	(3,477)
Contracted services	2,200	2,200	945	(1,255)
Planning consultant	15,000	18,000	19,215	1,215
Engineering services	3,000	6,000	4,325	(1,675)
Dues and subscriptions	1,000	1,000	385	(615)
Mileage	1,000	1,000	180	(820)
Total planning commission	48,200	57,150	46,013	(11,137)
Board of appeals:				
Salaries	1,200	1,200	885	(315)
Other	1,450	1,450	495	(955)
Total board of appeals	2,650	2,650	1,380	(1,270)
Total general government	541,775	556,925	479,411	(77,514)
Public Works:				
Clean up days	10,000	10,000	7,780	(2,220)
Recycling	2,100	2,200	2,115	(85)
Road maintenance	50,966	50,966	50,965	(1)
Total public works	63,066	63,166	60,860	(2,306)
Community development:				
Community services	20,995	26,900	25,168	(1,732)
Total expenditures	\$ 625,836	\$ 646,991	\$ 565,439	\$ (81,552)

The accompanying notes are an integral part of these financial statements

TOWNSHIP OF HOLLY

FIRE AND EMERGENCY FUND

STATEMENT OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Taxes	\$ 239,231	\$ 239,231	\$ 239,240	\$ 9
Interest	<u>1,200</u>	<u>1,200</u>	<u>927</u>	<u>(273)</u>
Total revenues	<u>240,431</u>	<u>240,431</u>	<u>240,167</u>	<u>(264)</u>
Expenditures				
Public safety:				
Contracted services	<u>304,342</u>	<u>307,460</u>	<u>307,460</u>	<u>-</u>
Revenues over (under) expenditures	(63,911)	(67,029)	(67,293)	(264)
Other financing sources				
Transfer in	<u>60,000</u>	<u>60,000</u>	<u>-</u>	<u>(60,000)</u>
Net change in fund balances	(3,911)	(7,029)	(67,293)	(60,264)
Fund balance, beginning of year	<u>291,473</u>	<u>291,473</u>	<u>291,473</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 287,562</u></u>	<u><u>\$ 284,444</u></u>	<u><u>\$ 224,180</u></u>	<u><u>\$ (60,264)</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HOLLY

PARK FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Taxes	\$ 140,625	\$ 140,625	\$ 140,853	\$ 228
State grant	20,000	20,000	6,814	(13,186)
User fees	79,800	83,100	74,263	(8,837)
Rental income	600	600	575	(25)
Donations	50,000	50,000	500	(49,500)
Interest	1,000	1,000	1,749	749
Miscellaneous	100	100	223	123
Total revenues	292,125	295,425	224,977	(70,448)
Expenditures				
Recreation and cultural				
Salaries	114,000	119,000	122,973	3,973
Payroll taxes	11,500	11,500	9,626	(1,874)
Pension	4,200	4,200	4,453	253
Health insurance	19,000	19,000	15,671	(3,329)
Operating supplies	8,500	9,500	8,801	(699)
Softball expenditures	6,000	6,000	4,921	(1,079)
Special events	7,000	7,000	6,486	(514)
Professional services	1,600	1,600	1,350	(250)
Disposal	2,800	2,800	1,645	(1,155)
Telephone	1,700	1,700	2,793	1,093
Mileage	700	700	457	(243)
Education	4,000	4,000	1,312	(2,688)
Community promotion	2,500	2,500	3,280	780
Printing	300	300	71	(229)
Insurance	7,000	9,300	9,572	272
Utilities	4,500	4,500	4,747	247
Repairs and maintenance	76,100	76,100	10,845	(65,255)
Miscellaneous	200	200	42	(158)
Park equipment	20,525	14,525	12,180	(2,345)
Total expenditures	292,125	294,425	221,225	(73,200)
Net change in fund balances	-	1,000	3,752	2,752
Fund balance, beginning of year, as restated	161,779	161,779	161,779	-
Fund balance, end of year	\$ 161,779	\$ 162,779	\$ 165,531	\$ 2,752

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HOLLY
BUILDING DEPARTMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Charges for services	\$ 206,000	\$ 355,000	\$ 405,980	\$ 50,980
Interest	400	1,400	1,538	138
Total revenues	206,400	356,400	407,518	51,118
Expenditures				
Community development				
Salaries	27,300	27,300	27,300	-
Payroll taxes	2,700	2,700	2,288	(412)
Pension	2,730	2,730	2,730	-
Health insurance	16,500	16,500	14,802	(1,698)
Operating supplies	2,720	7,720	2,199	(5,521)
Rent	-	12,000	12,000	-
Accounting	500	500	-	(500)
Contracted services	152,200	285,200	228,658	(56,542)
Computer maintenance	1,000	1,000	635	(365)
Dues and subscription	500	500	394	(106)
Mileage and insurance	250	250	116	(134)
Total expenditures	206,400	356,400	291,122	(65,278)
Net change in fund balances	-	-	116,396	116,396
Fund balance, beginning of year, as restated	67,728	67,728	67,728	-
Fund balance, end of year	\$ 67,728	\$ 67,728	\$ 184,124	\$ 116,396

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HOLLY
LIBRARY FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Taxes	\$ 275,378	\$ 275,378	\$ 281,732	\$ 6,354
State shared revenue	15,000	15,000	19,506	4,506
Member township fees	13,110	13,110	13,110	-
Charges for services	6,000	6,000	10,612	4,612
Fines	33,500	33,500	32,542	(958)
Donations	3,800	3,800	8,904	5,104
Interest	2,880	2,880	3,710	830
Total revenues	349,668	349,668	370,116	20,448
Expenditures				
Recreation and cultural				
Salaries	172,000	172,000	182,421	10,421
Payroll taxes	13,000	13,000	14,193	1,193
Health insurance	5,500	5,500	7,784	2,284
Operating supplies	6,000	6,000	5,567	(433)
Accounting	1,350	1,350	1,350	-
Contracted services	11,000	11,000	10,873	(127)
Dues and subscription	9,800	9,800	6,298	(3,502)
Telephone	1,500	1,500	2,117	617
Utilities	8,000	8,000	7,916	(84)
Mileage	500	500	1,178	678
Insurance	6,247	6,247	6,848	601
Repairs and maintenance	6,000	6,000	6,091	91
Miscellaneous	22,391	22,391	3,832	(18,559)
Books, videos	48,000	48,000	39,525	(8,475)
Equipment	5,000	5,000	34,000	29,000
Capital outlay	73,938	73,938	32,047	(41,891)
Total expenditures	390,226	390,226	362,040	(28,186)
Net change in fund balances	(40,558)	(40,558)	8,076	48,634
Fund balance, beginning of year, as restated	435,620	435,620	435,620	-
Fund balance, end of year	\$ 395,062	\$ 395,062	\$ 443,696	\$ 48,634

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HOLLY

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS JUNE 30, 2005

Assets

Cash and cash equivalents	<u><u>\$ 91,782</u></u>
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Liabilities

Accounts payable	\$ 12,906
Due to others	75,228
Due to other governmental units	<u>3,648</u>
Total liabilities	<u><u>\$ 91,782</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HOLLY

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Holly, Michigan, conform to generally accepted accounting principles as applicable to government units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

A. REPORTING ENTITY

The Township of Holly (the “Township”) operates under a Township board with five members and provides general government services to it’s residents.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Township and any component units, entities for which it has operational or financial relationships. The Township has followed the guidelines of the Governmental Accounting Standards Board's Statement No. 14 and has determined that no entities should be consolidated into its financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Township has no business type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

TOWNSHIP OF HOLLY

NOTES TO THE FINANCIAL STATEMENTS

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *General Fund* is the principal operating fund of the Township. It is used to account for all revenues, expenditures, and activities not specifically accounted for in another fund.

The *Fire and Emergency Fund* accounts for the activities of the government's fire and emergency services.

The *Park Fund* accounts for the activities of the government's various parks.

The *Building Department Fund* is used to account for the activities of the government's building/inspections department.

The *Library Fund* is used to account for the activities of the government's library.

TOWNSHIP OF HOLLY

NOTES TO THE FINANCIAL STATEMENTS

The *Capital Projects Fund* is used to account for financing and construction of major equipment, building and improvements.

Additionally, the Township reports the following fund type:

Agency funds are used to account for assets held for other governments in an agency capacity, including tax collections.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

1. DEPOSITS AND INVESTMENTS

Cash equivalents are all highly liquid investments such as bank savings accounts and certificates of deposits with an original maturity of three months or less. Other investments, if any, with an original maturity of three months or less are also considered cash equivalents.

Investments, if any, are stated at fair value.

2. RECEIVABLES

Receivables have been recognized for all significant amounts due the Township in accordance with the accounting principles used for the particular fund. Valuation reserves have not been provided because collection is not considered doubtful and any uncollectible amounts would be immaterial.

TOWNSHIP OF HOLLY

NOTES TO THE FINANCIAL STATEMENTS

3. PREPAID ITEMS

Certain payments made to vendors are for services applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

4. INTERFUND TRANSACTIONS

Interfund receivables and payables, if any, arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

5. CAPITAL ASSETS

Capital assets, which include property, plant, and equipment are reported in the governmental type activity column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Improvements and buildings	20 - 50
Machinery and equipment	7 - 10

6. FUND EQUITY

The unreserved, undesignated fund balances for governmental funds represent the amount available for budgeting future operations. Designated fund balances, if applicable, represent tentative plans for future use of financial resources. Reserved fund balance for governmental funds, if any, represents that portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spending resources.

TOWNSHIP OF HOLLY

NOTES TO THE FINANCIAL STATEMENTS

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets for all governmental funds are adopted in compliance with Michigan Law. The budgets are prepared on the modified accrual basis which is consistent with generally accepted accounting principles.

Budget amounts are as originally adopted or as amended by the Township Board in accordance with state and local laws. The Township's legal level of budgetary control is at the function level, which is the Township's legal level of budgetary control. Any revisions must be approved by the Township Board.

B. ENCUMBRANCES

The Township does not formally record encumbrances in the accounting records during the year as a normal practice. Appropriations lapse at year end and amounts are reappropriated for expenditures to be incurred in the next fiscal year.

C. EXCESS OF EXPENDITURES OVER APPROPRIATIONS FOR BUDGETARY FUNDS

During the year ended June 30, 2005, the Township incurred expenditures in certain budgetary funds, which were in excess of the amounts appropriated as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Elections	\$ 24,200	\$ 45,079	\$ (20,879)

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments as shown in the basic financial statements to the Township's deposits and investments is as follows:

Government-wide Financial Statement Captions:	
Cash and cash equivalents	\$ 1,652,816
Fiduciary Fund Financial Statement Captions:	
Cash and cash equivalents	<u>91,782</u>
Total	<u>\$ 1,744,598</u>

TOWNSHIP OF HOLLY

NOTES TO THE FINANCIAL STATEMENTS

Notes to Financial Statements:

Deposits	\$ 1,743,898
Cash on hand	<u>700</u>
Total	<u>\$ 1,744,598</u>

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The Township's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. The Township's investment policy does not have specific limits in excess of state law on investment credit risk. The Township has no investments for which ratings are required.

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year end, \$1,474,402 of the Township's bank balance of \$1,574,402 was exposed to credit risk because it was uninsured and uncollateralized.

Statutory Authority

State statutes authorize the Township to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.

TOWNSHIP OF HOLLY

NOTES TO THE FINANCIAL STATEMENTS

- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

The Township's investment policy allows for all of these types of investments.

B. CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 397,336	\$ -	\$ -	\$ 397,336
Capital assets being depreciated:				
Buildings and improvements	1,060,022	66,442	-	1,126,464
Machinery and equipment	257,085	27,640	-	284,725
Office furniture and equipment	226,635	-	-	226,635
Total capital assets being depreciated	1,543,742	94,082	-	1,637,824
Less accumulated depreciation				
Buildings and improvements	(799,718)	(12,440)	-	(812,158)
Machinery and equipment	(223,451)	(5,609)	-	(229,060)
Office furniture and equipment	(203,096)	(4,518)	-	(207,614)
Total accumulated depreciation	(1,226,265)	(22,567)	-	(1,248,832)
Capital assets being depreciated, net	317,477	71,515	-	388,992
Governmental activities capital assets, net	<u>\$ 714,813</u>	<u>\$ 71,515</u>	<u>\$ -</u>	<u>\$ 786,328</u>

TOWNSHIP OF HOLLY

NOTES TO THE FINANCIAL STATEMENTS

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 4,860
Public works	4,319
Recreation and cultural	<u>13,388</u>

Total depreciation expense – governmental activities **\$ 22,567**

IV. OTHER INFORMATION

A. PROPERTY TAXES

Township property taxes are attached as an enforceable lien on property as of December 1 on the taxable assessed value listed as of the prior December 31. Taxes are levied December 1 and are due without penalty on or before February 14. These tax bills include the Township's own property taxes and taxes billed on behalf of Oakland County and the school districts within the Township boundaries. Real property taxes not collected as of March 1 are turned over to Oakland County for collection, which advances the Township 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

The assessed taxable value of real and personal property located in the Township as of December 31, 2004 totaled \$286,047,410 representing 50% of estimated actual value. The tax rates assessed for the year ended June 30, 2005 were:

	<u>Per \$1,000 valuation</u>
General operations	\$1.00
Fire and Emergency	\$1.65 (real property only)
Parks	\$0.4917
Library	\$0.9843

Property taxes levied in December are recognized as revenue in the current fiscal year. Taxes collected on behalf of the school districts and Oakland County are turned over to the districts and the County immediately following collection and are accounted for in a designated agency fund.

TOWNSHIP OF HOLLY

NOTES TO THE FINANCIAL STATEMENTS

B. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and distribution of assets; errors and omissions; injuries to employees and natural disasters. The Township carries commercial insurance to cover any potential claims associated with these risks and has had no claims that exceeded the insurance coverage during the past three years.

C. PENSION PLAN

The Holly Township Group Pension Plan is a defined contribution pension plan, held in trust by a third party administrator, John Hancock Life Insurance Company (in accordance with the provisions of the John Hancock Financial Defined Contribution Pension Plan for Governmental Employees).

Those eligible for the Plan include all elected officials, Parks Director, Building Administrator and all appointed officials working 35 hours or more per week. The Township contributes 10% of a participants compensation. The participants may make voluntary, after-tax contributions from 1% to 10% of their compensation. Total contributions by the Township for the year ended June 30, 2005 were \$21,545.

Benefits attributable to all contributions vest immediately. Investment of plan assets is the responsibility of the participant (i.e., self-directed investment of individual accounts by participants).

D. CONTINGENCIES

The Township is engaged in routine litigation incidental to the conduct of its affairs. In the opinion of legal counsel, no legal proceedings are pending against the Township which are not covered by insurance or which would inhibit the Township's ability to perform it's operations or materially affect it's financial condition.

Benefit provisions and contribution requirements are established and may be amended by the Township Board.

TOWNSHIP OF HOLLY

NOTES TO THE FINANCIAL STATEMENTS

E. PRIOR PERIOD ADJUSTMENTS

During the year ended June 30, 2005, a prior period adjustment in the amount of \$60,000 was necessary to properly account for the understatement of expenditures in the General Fund, during the year ended June 30, 2004. The effect on the General fund balance was as follows:

Fund balance, beginning of year, as previously stated	\$ 543,872
Prior period adjustment	<u>(60,000)</u>
Fund balance, beginning of year, as restated	<u>\$ 483,872</u>

During the year ended June 30, 2005, a prior period adjustment in the amount of \$4,751 was necessary to properly account for the understatement of expenditures in the Park Fund, during the year ended June 30, 2004. The effect on the Park fund balance was as follows:

Fund balance, beginning of year, as previously state	\$ 166,530
Prior period adjustment	<u>(4,751)</u>
Fund balance, beginning of year, as restated	<u>\$ 161,779</u>

During the year ended June 30, 2005, a prior period adjustment in the amount of \$15,471 was necessary to properly account for the understatement of expenditures in the Building Fund, during the year ended June 30, 2004. The effect on the Building fund balance was as follows:

Fund balance, beginning of year, as previously stated	\$ 83,199
Prior period adjustment	<u>(15,471)</u>
Fund balance, beginning of year, as restated	<u>\$ 67,728</u>

During the year ended June 30, 2005, a prior period adjustment in the amount of \$14,295 was necessary to properly account for the understatement of expenditures in the Library Fund, during the year ended June 30, 2004. The effect on the Library fund balance was as follows:

Fund balance, beginning of year, as previously stated	\$ 449,915
Prior period adjustment	<u>(14,295)</u>
Fund balance, beginning of year, as restated	<u>\$ 435,620</u>

TOWNSHIP OF HOLLY

NOTES TO THE FINANCIAL STATEMENTS

During the year ended June 30, 2005, a prior period adjustment in the amount of \$94,517 was necessary to properly account for the understatement of expenditures in the government-wide financial statements, during the year ended June 30, 2004. The effect on the government-wide financial statements was as follows:

Net assets, beginning of year, as previously stated	\$ 2,321,049
Prior period adjustment	<u>(94,517)</u>
Net assets, beginning of year, as restated	<u>\$ 2,226,532</u>

* * * * *



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

October 21, 2005

To the Township Board
Township of Holly
Holly, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the *Township of Holly* as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated October 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the *Township of Holly's* internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the *Township of Holly's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the Township and the Township board and is not intended to be and should not be used by anyone other than these specified parties.



REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**

An Independent Member of Baker Tilly International

October 21, 2005

Township of Holly
102 Civic Dr.
Holly, MI 48442

In planning and performing our audit of the financial statements of the ***Township of Holly*** for the year ended June 30, 2005, we considered the Township's internal controls to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal controls.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. (A separate report dated October 21, 2005, contains our report on the Township's compliance and internal controls). This letter does not affect our report dated October 21, 2005, on the financial statements of the ***Township of Holly***.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Township personnel, and we will be pleased to discuss these comments in further detail at your convenience, or perform any additional studies of these matters, or to assist you in implementing the recommendations.

TOWNSHIP OF HOLLY

COMMENTS AND RECOMMENDATIONS

I. OUTSTANDING CHECKS

While examining bank reconciliations we noted a number of insignificant checks that have been outstanding for several years.

Recommendation:

We recommend that the Township research each of these checks and take appropriate action, including following procedures for escheating the funds to the State of Michigan.

II. INTEREST ALLOCATION

During our audit procedures it was noted that property tax distributions from the Tax Account Agency fund were being made to the appropriate funds at the end of the fiscal year, however, interest earned on the money being held in the Tax Account bank was being distributed entirely to the General Fund.

Recommendation:

We recommend that if property tax revenue is held in the Tax Account and distributed at the end of the fiscal year that the interest earned on these monies be distributed to the appropriate fund based upon the millage rate for which the revenue was collected.